

# **ASSESSING RISK: EVERYBODY HAS A ROLE**

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**Ginnie Mae**

# Assessing Risk:

- The CFO must be concerned with assessing risk as it relates to both the financial position of the organization and as support for the strategic decisions.
- Let me first explain the Ginnie Mae program and why assessing risk has a role for everyone in our organization.

# **Ginnie Mae's History, Purpose & Authority**

- Formed in 1968 as a Government Corporation
- Promotes Affordable Housing by Linking the Federal Housing Market and Capital Markets
- Guarantees Mortgage-Backed Securities Collateralized by Loans Insured or Guaranteed by the Federal Government
- Full Faith & Credit Guaranty of the United States on the Mortgage-Backed Securities (MBS)

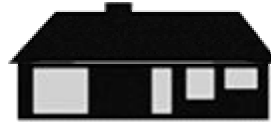
# Primary Markets

Borrower # 1



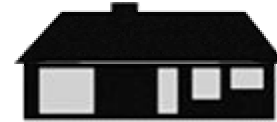
Mortgage

Borrower # 2

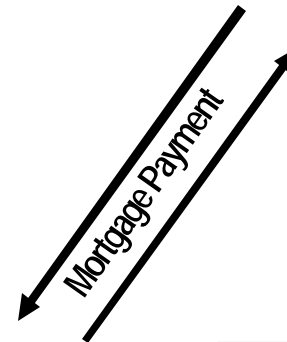
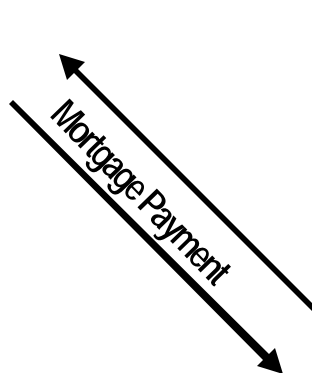


Mortgage

Borrower # 12

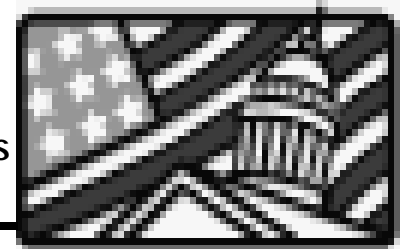


Mortgage



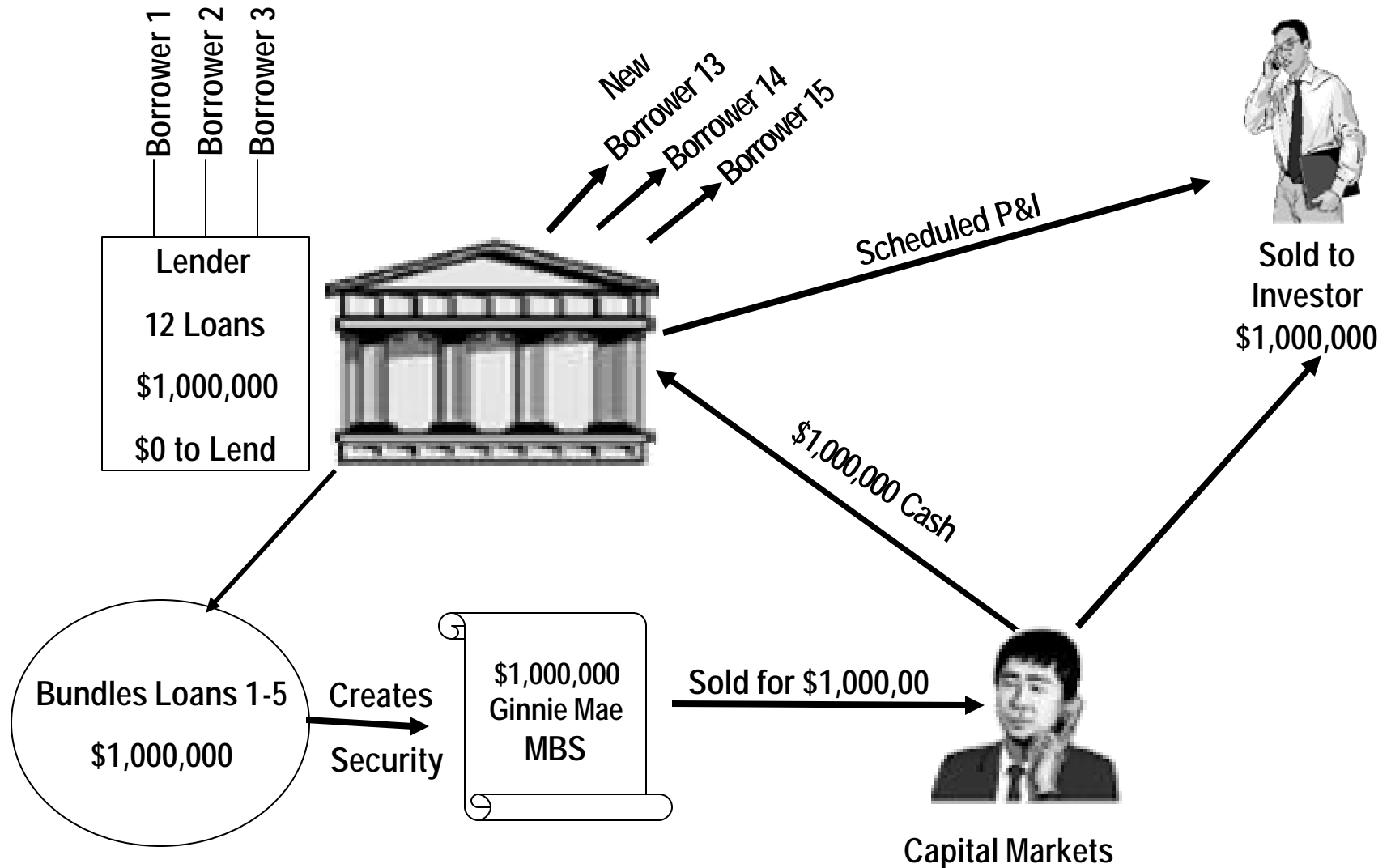
\$0 to lend

Insures/Guarantees  
Loans



FHA -- VA -- RHS - PIH

# Secondary Markets --SF



# Issuer Eligibility - General Requirements

- FHA Approval
- Mortgage Lending as Principal Activity
- Management Capability
- Quality Control Program
- Lender in Good Standing with FHA, the GSEs and other Agencies
- Electronic Data Interchange (EDI) Agreement

# Issuer Eligibility Financial Requirements

- Net Worth Requirements
- Financial Statements and Documents
- Fidelity Bond/E&O Insurance

# Reporting to Ginnie Mae

- Annual Audited Financials
- Quarterly Financial Reporting
- Monthly Reporting to Ginnie Mae on Pools
- Monthly Loan Level Detail Reporting
- Why all these Reports? Evaluating risk levels.



# Organization Risk

- Business processes or activities (net worth of issues, guide requirements)
- Operations (Pool processing – back office)
- Finance and related compliance risks (financial statements)

# Control

- Policies and procedures that ensure strategy and management directives are carried out at all levels. (Guides to direct the program's operation.)
- Control reviews of the processes and activities can be performed.
- Activity reports can be linked to specific control factors to assure compliance with a standard.

# Operations

- Assessing risk by evaluating the rules of operating in the program.
- Commitment authority were approved by Program area for net worth and compliance with guide.
- Fees paid
- Loans in Pools meet the edit checks to process.

# Business

- The program office can assesses risk in reviewing the program's guide and the regulations that are to be followed in doing business functions.
- Net worth calculation with approved Financial Statements.
- Compliance review on the field site of the program participates.
- Insurance certificates such as E&O and Fidelity Bond.

# Monitoring

- Activities should be monitored by both review and monthly (or daily/weekly) reports.
- Monitoring controls should be built in the program processes.
- Independent reviews should be part of the monitoring process.

# Finance

- Assess risk is a major part of the Finance Office in an organization.
- Financial Statements & A-123 & FY Financial Audit
- The CFO must also use assessing risk as a major part of the organization's strategic decisions.

# Questions

- Questions